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FACULTY WORKING
PAPER NO. 1089

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November, 1984

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Abstract

This paper reviews the present state of the movement toward the acceptance of a unified accounting standard on a worldwide basis. Further it offers argument in support of a unified standard and provides a mechanism (the transnational corporation) for achieving the objective of an International Standard.

INTERNATIONAL ACCOUNTING STANDARDS AND TRANSNATIONAL CORPORATIONS

I. INTRODUCTION

Since the beginning of the industrial revolution accounting practices have taken new dimensions with the increase in size of the firm from the workshop to the factory to the national corporation to the multi-divisional corporation and now to the transnational corporation. With each step of structural change, business enterprise acquired a more complex administrative structure and entered into a new business environment giving rise to the need for a new dimension of accounting.

The rapid growth of transnational corporations in the past quarter of a century and growing internationalization of money and capital markets in the last decade, necessitated the development of "international accounting" as an important specialization in the accounting field. Generally speaking, international accounting stretches the existing accounting thought and practices into the international arena encompassing the treatment of particular accounting problems of international nature and dissemination of accounting information for the use of a wide variety of constituencies both within a country and across national boundaries. The field of international accounting is still at its nascent stage--the concept of an international accounting standard is neither clearcut nor fixed. Some, for example, view the work of setting standards for international accounting as the formulation of a universal accounting system that could be adopted by all nation-states. Others view it as the codification of the varieties of accounting principles and practices which exist throughout the world.

And others view it as the prescription of accounting treatment and disclosure rules for the preparation of financial statements of transnational corporations, that would eliminate communications problems that compound the difficulties of planning and conducting international business. Although these views apparently seem different, in practice it may not be difficult to combine them under a general conceptual framework. Perhaps this is why Choi and Mueller (1984, p. 18) defined international accounting as follows:

> International accounting extends general purpose nationally oriented accounting in its broadest sense to: (1) international comparative analysis, (2) accounting measurement and reporting issues unique to multinational business transactions and the business form of the multinational enterprise, (3) accounting needs of international financial markets, and (4) harmonization of worldwide accounting and financial reporting diversity via political, organizational, professional, and standard-setting activities.

To this we add a more general view of the information required for a multitude of constituencies to be used in some sort of decision process.

The indeterminate nature of international accounting has led to a situation where various international and supra-national bodies and organizations have been in search for international accounting standards for the last ten years but with little success. At the private level the International Accounting Standards Committee (IASC) has issued a number of pronouncements with the aim of establishing uniformity in different accounting treatments throughout the world. At the intergovernmental level three organizations have been trying to set and operationalize standardized accounting practices at the supra-national and international levels: the ten-nation European Economic

Community (EEC), the Western political establishment operating through the Organization for Economic Cooperation and Development (OECD), and the international community meeting in the United Nations system within the organizational framework of United Nations Center on Transnational Corporations (UNCTC). The results of EEC effort to harmonize accounting practices is that member countries have produced some unified positive results in the form of political recognition of the need for harmonization while legislating national accounting standards. All other efforts over the last decade have received so little response that if things move at this pace, it seems that the objective of an international accounting standard may never be achieved.

In the above perspective, the present paper attempts to put forward the idea that the success of operationalizing international accounting standards lies in the construction of a conceptual framework for international accounting. Such a conceptual framework, it is predicted, would identify a clearcut objective of international accounting and thereby help provide a theoretical framework for setting standards at the international level. Since different countries have already been practicing different accounting policies, it is not easy to bring all of them under a uniform practice overnight. Therefore, the present paper proposes that the first step towards international harmonization can be the operationalization of accounting standards for transnational corporations and this process can be used as a vehicle for transmission of international accounting standards to the business environments of the economies where they

operate--ultimately paving the path for the application of uniform accounting standards throughout the world.

II. CURRENT STATE OF WORLD ACCOUNTING ENVIRONMENT

Substantial evidence exists to support the claim that material differences characterize accounting practices in different countries.[1] We feel that the emphasis on the differences has been misplaced. Although the causes of such differences are often attributed to the socio-cultural-economic and political differences across the countries, an examination of the historical antecedents seems to suggest that the fundamental differences have their root in the pre-World War II "influence" of two distinguishable approaches in the development of accounting practices in various countries. Prior to World War II, British accounting influence was dominant throughout the English-speaking world and a Franco-German influence shaped the accounting practices in countries like Belgium, Japan, Sweden, and Switzerland.[2] The British influence was aimed at micro-based accounting while the Franco-German influence was aimed at macro-uniform accounting. Professor C. W. Nobes (1980, Table C) traced these two approaches in the development of accounting practices in different countries in the following manner:

1. MICRO-BASED:

   (a) Business economics theory - Netherlands

   (b) Business practice, pragmatic, British origins -

      (i) UK influence: United Kingdom, Ireland, South Africa Australia, New Zealand.

      (ii) US influence: USA, Canada, Japan, Phillipines, Mexico.

2. MACRO-UNIFORM:

(a) Government, economics - Sweden.

(b) Continental: government tax, legal -

(i) Tax-based: Spain, France, Belgium, Italy.

(ii) Law-based: West Germany.

In the post World War II period, substantial changes took place in the accounting practices of the countries classified above, but in many of the countries the original foundation (micro-based or macro-uniform) is still prevalent.

Professor G. G. Mueller (1968) in his seminal paper on the differences in generally accepted accounting principles in different countries, asserted that ten different "sets" of accounting practices can be discerned. Each set was reportedly different from all others in at least one important respect. The ten are as follows:

1. United States/Canada/The Netherlands
2. British Commonwealth (excluding Canada)
3. West Germany/Japan
4. Continental Europe (excluding West Germany, the Netherlands, and Scandinavia)
5. Scandinavia
6. Israel/Mexico
7. South America
8. Developing Nations of the Near and Far East
9. Africa (excluding South Africa)
10. Communist Nations

Due to variations in accounting practices in various countries it can be well predicted that the accountants in different countries are likely to report different business performances for the same enterprise. In otherwords, if one accountant from each of the different countries are asked to prepare financial statments of a business enterprise, applying generally accepted accounting principles in respective

countries, we may find that each one has come up with a different picture of the operational performance of the enterprise in question. Naturally, the constituencies interested in the comparative performance evaluation of business enterprises in different countries, find it difficult to use accounting reports as a means of information in their decision making processes. Individuals making similar decisions in the respective countries may reach different conclusions.

As regards international differences in accounting practices, Cummings and Chetkovich (1979, p. 154) reported that a listing of differences--for example, as compared to generally accepted accounting practices followed in the United States--would include, among many, the following:

> Financial statements may not be presented on a consolidated basis.
>
> Investments in affiliates may be recorded on a cost basis rather than under the equity method of accounting.
>
> Significant accounting policies, such as inventory costing method, depreciation policy, translation method, etc. may not be disclosed.
>
> Deferred taxes may not be recognized.
>
> Capitalizable leases may not be recorded in the financial statements or the related lease obligations disclosed in the notes to the financials.

The list of international differences could go on for pages and include areas such as accounting for price level changes, pension accounting, use of alternative measurement and allocation procedures etc. But our purpose here is merely to highlight the present state of a world of differences in accounting practices. Most would agree that there are major differences in accounting practice around the world.

As there are differences, there are continuing efforts directed towards minimizing such differences. How to minimize the differences and ultimately to create a standard of uniform accounting practices throughout the world, that is the focus of any effort in the development of international accounting standards.

Such differences are often justified by reference to differences in national environments, the present paper seeks to argue that the efforts at international accounting standard setting should follow the framing of a conceptual framework that would override the so-called influence of environmental differences and establish the rationale for and an infrastructure of international standards. In this context Professor McComb (1984, p. 7) wrote:

> If national differences in accounting practices can be justified, and it is desired to remove such differences, there must clearly be an overwhelming case to justify their removal. In otherwords the argument for international standards of accounting must be shown to be stronger than those for national diversity. In addition there must of course be a political will to accept the consequences of such rational judgements. Inevitably the will to produce accounting information in any form must depend upon such information being useful. In the international as in the national field there can be no valid claim for devoting resources to accounting or financial reporting unless the resulting benefits justify the costs incurred.

III. ACCOUNTABILITY AND STANDARDS

The primary function of accounting is accountability, this implies a "third party" orientation whenever this function is to be performed.[3] Following this, one can say that the accountability of an undertaking

to the constituencies interested in its affairs is discharged through the preparation and publication of accounting reports. Accounting is often referred to as the language of business--the medium for communicating information regarding a firm's financial position and operational performance. Ordinarily the firm is not informationally open to the constituencies via a direct observation. Rather, it is open primarily via the accounting information it communicates in its published accounts, so that much of what the firm's constituencies 'know' about the firm's operations and the state of affairs depend upon how the firm reports them in its published accounts. What the constituencies want and need to 'know' about the firm is important here. Because in the absence of definite disclosure requirements, the firm might report such information that it thinks important from its own perspective and without due regard to the usefulness of such information to the constituencies. Hence the need for accounting standards whereby the firm can be required to prepare the financial statements and disclose accounting information in a particular manner that would produce "useful" information from the point of view of the constituencies. In this context Sterling (1972, p. 198) commented:

> I view accounting as a measurement-communication activity with the objective of providing useful information. Once we have discovered which properties are useful, then we must devise methods of measuring those properties. Hopefully, we can devise measurement methods which fulfil the requirements of objectivity, verifiability, etc. However, these requirements are secondary. They are desirable, but usefulness is indispensable. Therefore, providing useful information must be the primary objective of accounting.

What are standards? The term "standard" can be used in a variety of ways but here we use it to broadly mean a set of statements which may include reference to disclosure and measurement issues to be dealt with in preparing financial statements of the business enterprises crossing national boundaries. Such statements may range from those intended to achieve strict uniformity to those allowing for the international harmonization of accounting practice. The fact that they exist as criteria against which corporate accountability can be assessed qualifies such statements to be described as "standards."

The key notion running through the emerging body of accounting standards and disclosure requirements at supra-national and international levels--be they EEC harmonization efforts, or codes for disclosure requirements of transnationals agreed by Western governments in the OECD, or international standardized accounting practices prescribed by the United Nations through the UNCTC--is accountability. By accountability is meant the accountability of business to new constituencies--to governments, to the general public and to the employees. Being accountable to these new constituencies, the transnational business entity is forced into a new context of political and social responsibility, as well as retaining its legal obligations to its traditional constituent, the investors.

The concept of new constituencies in corporate accountability emerges from the fact that there are other groups to whom the corporation is responsible in addition to investors. These new constituencies, in addition to or irrespective of the investors, can have significant influence on the corporation in its operations towards the

achievement of its ultimate objective(s). These new constituencies have a 'stake' in the actions of the corporation, and without their support the enterprise might cease to exist. The general contention is that the new constituencies have a need to use accounting information to the same extent as the investor or other provider of capital.

IV. THOUGHTS ON CONCEPTUAL FRAMEWORK

It has been argued that accounting is shaped by the environment in which it is used. APB Statement No. 4 [1970, para. 209] stated,

> Generally accepted accounting principles change in response to changes in economic and social conditions, to new knowledge and technology and to demands of users for more serviceable financial information.

A similar argument is presented in FASB's Objectives of Financial Reporting by Business Enterprises [1978, para. 9], "Accordingly, the objectives in this Statement are affected by the economic, legal, political and social environment in the United States." This belief has led to the overemphasis on the environment in setting accounting standards at the expense of being theoretically correct and useful for the user or the decision maker. As Choi and Mueller [1978, p. 22] stated,

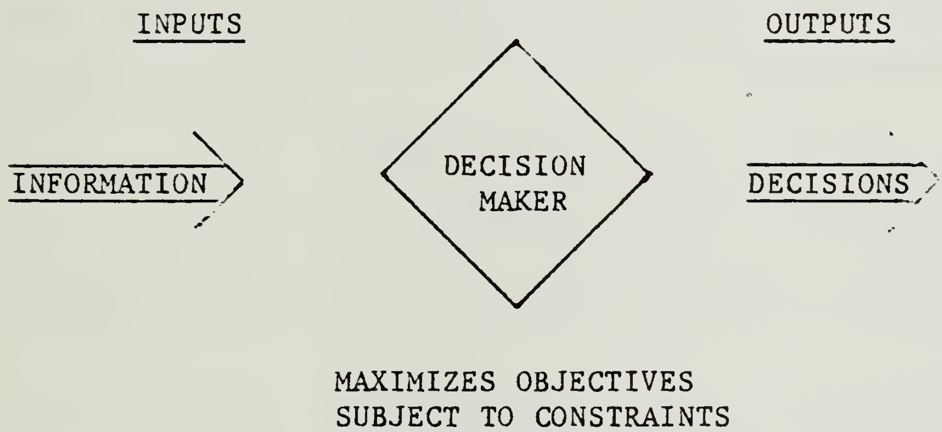
> If we then accept the proposition that the environments in which accounting operates are not the same in different countries... it stands to reason that accounting must necessarily differ from case to case if it is to retain the sharp cutting edge of such utility.

We believe this is the proverbial case of the tail wagging the dog. And take sharp issue with these arguments and this position that the environment is a major determinant of accounting standards. A more

balanced emphasis needs to be placed on the similarities of the users of accounting information rather than emphasizing the differences in social, economic, legal or political environments.

If we strip any decision process down to its bare minimum, we would find a process as depicted in Figure 1.

Figure 1. The Decision Process



Of the factors which should determine accounting standards, economic, social, legal, technological, and user requirements, we believe that the user requirements are the primary determinants of a unified consistent information input. At this level of abstraction, given any type of decision, be it financial or otherwise, it is hard to imagine the information input requirements being different because of the nationality of the decision maker or the environment in which he operates. For example, if one is interested in making resource allocation decisions to economic entities, the decision process itself, for evaluating the worth of one use of the scarce resource compared to alternative uses requires a basic set of information, whether one is making the decision in an LDC or an industrialized nation. To argue

that the decision in one location requires different information than if it were made in another location is nonsense. Not to belabor the point, but any type of decision can be shown to require a fundamental type of information which is independent of the economic, social, legal or technological environment in which the decision maker happens to find himself. We argue that this should be the common denominator in setting international accounting standards. We conclude that current thinking about international standardization of accounting information has misplaced the emphasis on the environmental differences in which a decision maker may find himself. Rather we emphasize the fundamental nature of the basic process that the decision maker is performing and the standardized nature of the information required by the user.

In considering the various types of users or constituencies of accounting information, we include a wide range of potential users. Most would agree that a major user of financial information is the decision maker in the capital market. Historically the developments of most accounting standards can be traced to the informational needs of the capital market decision makers. Clearly in this case, the provider of the information receives a direct benefit of the decision, a capital allocation, in that it is easy to show the economic entity or firm the payoff or benefit in adhering to a standardized type of reporting. These benefits may be so large or important to the firm as to justify additional expense in generating the information according to the generally accepted standards. Unfortunately, this financial self interest argument as it applies to the capital market does us

little good in our argument for unified worldwide standards because the capital markets tend to be located in the advanced economies of the world and require consolidated information about the entire entity rather than consistent information about the various parts of the organization, which may be useful to other decision makers.

In addition to this historically important user of accounting information, we have identified three additional users whose relative importance has been increasing on a worldwide basis; government, labor unions and consumers.

Governments in their role as tax collector have always required financial types of information. A standardization of this information requirement would be beneficial to the transnational organization operating in numerous countries, by reducing the duplication of effort required to meet multiple reporting requirements. It must be recognized that some differences will continue to exist and so the worldwide accounting standards as we envision them will contain the flexibility to be responsive to legitimate differences. However, as the system becomes operational and decision makers gain in experience it is expected that most major differences will tend to disapper or at least be reduced.

The other constituencies, although they may require different types of information than used by the capital market and government, still demand certain types of information. If this information can be generated and presented in a consistent fashion according to some world standard, the transnational firm will reduce costly duplication, and the decision maker will be receiving a higher quality type of

information. This mutual benefit will serve as the driving force behind the creation and acceptance of a worldwide standard.

Given that decision makers are risk averse, individuals will require additional information in evaluating risky situations. Employees, for example, demand higher wages from a company when the probability of layoff is greater. Managers demand higher salaries when the risks of failure, insolvency, and financial embarressment are great. Suppliers will set more unfavorable terms in contracts with companies whose prospects are more uncertain. And customers, concerned about a company's ability to service their products in the future or fulfill warranty obligations will be reluctant to buy its products. In order to avoid paying these higher monetary costs, most firms should be willing to provide better information to each of these constituencies to reduce the uncertainty the decision maker has about the corporation. Once again as in the case of dealing with the capital markets, the firm is willing to provide better information about its financial and economic wellbeing, because it is cheaper to generate and disseminate the information than it is to pay the higher costs.

The phenomena of management skill transfer which is a result of the growth of transnational corporations has raised the level of sophistication of bureaucrats, labor union officials, and in part, the general public, thereby reducing the differences in the environment. Each of the constituencies acting in the role of a decision maker is requiring higher quality, more uniformity and timeliness in the types of information they are using. This increase in awareness and sophistication presents an opportunity for the transnational firm to respond in an enlightened fashion by serving as the vehicle by which

worldwide accounting standards and information disclosure can be developed.

If the transnational firm in cooperation with the various decision makers can be committed to the idea of the usefulness of a world standard, a very important first step in the process will have been achieved. Once the transnational has demonstrated the desirability and usefulness of a world standard, it is very easy to envision the domestic firm following suit. This will occur not only by imitation but also by the transfer of management philosophies and skill as those individuals associated with the transnational move into management positions of domestic firms. Clearly the worldwide acceptance of a unified standard by all parties is a long and difficult undertaking. However, we believe that if the transnational firm can take the first steps, this will be a major milestone in achieving a useful international accounting standard.

TRANSNATIONALS AND ACCOUNTING STANDARDS

The development of international dimensions of accounting has its root in the internationalization of business activities. In otherwords, the need for international accounting standards has been felt more and more as business enterprises crossed the national boundaries and became accountable to various constituencies in different countries. These constituencies are based in the countries of origin (home countries) of the business enterprises, and in the foreign countries where they operate (host countries). It is therefore logical to say that the extreme need for international accounting stands that is presently felt, would not have been as great if enterprises remained confined

within the national boundaries. This is evident from the fact that there is a contemporanious relationship between the proliferation of transnational corporations and increasing demand for international harmonization of accounting in the last two decades.

In the above perspective one can say that international accounting standards or international accounting harmonization is aimed at making accounting an international language of business. Under a harmonized situation the accounting reports will become more meaningful to the constituencies in different parts of the world. At the Twelfth International Congress of Accountants in Mexico City in October 1982, John N. Turner, former minister of finance, Minister of Justice and Attorney-General of Canada, and first chairman of the Interim Committee of the International Monetary Fund, cited the following advantages of "universally applicable standards":[4]

> The greatest benefit that would flow from harmonization would be the comparability of international financial information. Such comparability would eliminate the current misunderstandings about the reliability of "foreign" financial statements and would remove one of the most important impediments to the flow of international investment. ...
>
> A second advantage of harmonization would be the time and money saved that is currently spent to consolidate divergent financial information when more than one set of reports is required to comply with different national laws or practice. ...
>
> A third improvement from harmonization would be the tendency for accounting standards throughout the world to be raised to the highest possible level and to be consistent with local economic, legal and social conditions.

Above quotation clearly demonstrates that while talking about international harmonization and international accounting standards,

the scenario that anyone has in his mind is the international business environment created by the operations of transnational corporations. In a situation with international harmonization;

1) the home-country and host-country constituencies of transnationals can properly understand their financial statements and can make inter-country comparisons of the performances of these business enterprises;

2) the transnationals can make cost savings in producing consolidated financial statements and in responding to information demands by the constituencies in different countries regarding their global business activities;

3) the transnationals, by transmitting sophisticated accounting practices to the host-countries can contribute to the upgrading of accounting practices in various countries, developing countries in particular.

From this perspective, one can say that the focus of international accounting standards should be the harmonization of accounting practices of transnational corporations, not the overall accounting practices in different nation-states. Once the harmonization of accounting practices of transnationals is established, the standardization of accounting practices throughout the world will naturally follow. This argument is enforced by the fact that the transnationals have for long time worked as a vehicle for transmitting management practices from one country to another and the national enterprises in the host countries, developing host countries in particular, have followed those practices leading to the upgrading of management practices in these countries.[5] If management practices can be transmitted to host countries by the transnationals, there is no point in doubting the possibility of transmitting accounting practices in the same way. It is predicted that the national differences in accounting allegedly caused by environmental

differences would create no impediment in international harmonization of accounting. Surely the operationalization of international standards for transnationals will require the approval or legislation in both home and host countries, but this should not affect the transnationals' willingness to serve as a vehicle.

As mentioned earlier, transnationals would find international standards as a means of cost saving and as a strategy of creating "confidence" about their reported performances in the minds of the various constituencies in various countries. These benefits are likely to induce the transnationals to act as a vehicle for international harmonization. Moreover the transnationals are likely to see their role in this context as a prestigious work towards the solving of an international problem that is characterized by the differences in accounting practices throughout the world. At the moment as understood from the statements by the representatives of transnationals, even if these enterprises are interested in following international standards, practical problems hinder them. D. de Bruyne, president of the Royal Dutch Shell company and managing director of the Royal Dutch/Shell group of companies, gave this picture as follows:[6]

> First, some highly significant standards-setting bodies such as the FASB are not members of IASC. Second, IASC finds itself having often to pick up what has become accepted practices in a number of countries, shifting the best parts of such existing practice and refining (them). It sometimes has to allow alternatives of treatment and tends, in view of its small resources, to have to follow the national bodies rather than show them a lead. Its work tends not, therefore, to be of direct significance to multinationals, which are obliged to follow national standards and rules as they emerge, in advance of their being taken up by IASC.

From the point of view of the home and host countries, one can very well visualize that harmonization of accounting practices in transnationals will be beneficial. The home-country government will be able to keep track of the operations of the transnationals. The host-country government will be able to meaningfully interpret the accounting information reported by the transnationals and this can be of much use in policy making and decision taking regarding negotiations with and controlling of the transnationals. It is evident from the various supra-national and international codes of conduct for transnationals that the host governments are more and more interested in meaningful information on the activities of these enterprises. As standardized accounting standards and disclosures are likely to satisfy these requirements it can be predicted that the host countries will welcome the international standards for transnationals. It follows therefore that it would not be much of a problem in getting legislative approval for the operationalization of accounting standards for transnationals in home and host countries, so long as these standards are at least at par with the existing sophisticated accounting practices in the industrialized countries, and are more improved than the existing less sophisticated accounting practices in the developing countries.

WHO SHOULD SET THE STANDARDS

Accounting standard-setting is difficult at the national level but at the international level it becomes even more complex and difficult. In the national context, standards are generally supported by a governmental agency with enforcement power. This is not the case at the

international level. The vital question is how to operationalize whatever standards are made. What mechanism should be used to get the standards operationalized? An answer to this question is important in determining the nature of and participants in an international accounting standard setting body.

The experience of accounting standard setting efforts during the last decade provides enough support to the belief that without the force of international law behind it, any international standard-setting body will experience a great deal of frustration. Sir Henry Benson, the founding chairman of IASC, commented,[7]

> Let us all be clear ... on one issue, IASC will fail unless the founder and associate bodies ensure that the standards are complied with by their members.

The compliance can be ensured if and only if there is international law legislated domestically by the national governments. Without the backing of law any standards can hardly be expected to be operationalized. Perhaps this is why in the United States, the Securities and Exchange Commission (SEC) has been given broad powers to establish accounting standards and to take necessary actions for the enforcement of such standards. This is also true in many other countries. The necessity for an enforcement mechanism is a fundamental consideration in the formation of an international standard setting body. An insight into this enforcement mechanism is likely to provide answer to the question on who should set international accounting standards.

Because the corporations cannot be relied on or expected to develop appropriate accounting standards, the Securities Acts of 1933 and 1934 directed the SEC in the United States to protect the public from false

and misleading information by requiring publicly owned corporations to disclose financial and other information in a manner accurately depicting the business performances. The SEC functions under this legislation. In general, the SEC has allowed the accounting professional bodies presently the Financial Accounting Standards Board (FASB), to formulate and refine principles and standards of financial reporting and disclosure. The determinations by the FASB subject to approval and/or necessary change(s) by the SEC, become legally enforceable standards. The SEC does the policing work to ensure that the corporations do not deviate from the standards. This mechanism seems to be very effective so far as operationalization of accounting standards is concerned.

The efficacy of standard setting and enforcement mechanism in the United States provides us with a model that could be used in developing an effective international standard-setting body.

With regard to the question of who should set international accounting standards, it is clear that an international intergovernmental body in cooperation with the international accounting profession can do much better in setting an operationalizing international accounting standards. The intergovernmental body needs to have sufficient power to formulate standards to be adopted by the member countries. Each of the member countries may be represented in the international intergovernmental body by government agencies like the SEC. In otherwords, the national agencies like SEC will act as the agents of the international intergovernmental body. The international intergovernmental body, through its agents in all member countries can

play a role like that of the SEC in the United States. The United Nations will have to take the lead in forming the international intergovernmental body. The direct contacts already established between national professional and standard-setting bodies through the IASC and IFAC, can be of much help in forming an international forum responsible for the kind of task that is being presently done by the FASB in the United States. The international forum can be built up by interaction of different international professional bodies like IASC and IFAC, and it can be entrusted with the task of doing research and recommending international accounting standards for approval by the international intergovernmental body and enforcement by its agents like SEC in different countries.

There is no question that the accounting profession has adequate expertise to research and set accounting standards. But it does not have the authority to enforce such standards. The involvement of national governments in the standard-setting process can be the best way to operationalize mandatory international accounting standards. Harvey Kapnick, former senior partner of Arthur Andersen & Co., commented,[8]

> The only way that international accounting standards can be developed and enforced is through a cooperative effort of governments and the accounting profession.

At this stage we think we should again reiterate our earlier view that in the first place efforts should be to set accounting standards for transnational enterprises. This will start the process of international harmonization and ultimately will lead to universalization of

accounting practices bringing both national and transnational enterprises in all countries under similar accounting rules. Since we are talking about the involvement of all nation-states in the process of accounting standard setting, the idea a bringing standards for transnationals into picture seems to be more pragmatic. Because all nation-states might not have interest in the universalization of accounting practices but everybody seems to be very much interested in the matter relating to the information disclosure by transnational corporations. This is evident by the pronouncements of the United Nations and the OECD with regard to the disclosure requirements and codes of conduct for the transnational corporations. The sentiments of the industrialized nations are reflected in the OECD guidelines for multinational enterprises. Similarly the sentiments of all the member-states of the United Nations, the third world countries in particular, are reflected in the concern of the UN General Assembly about transnational activities. The concern of the UN General Assembly has led to the formation of the Commission on Transnational Corporations and the creation of United Nations Centre on Transnational Corporations (UNCTC). The UNCTC, since 1977, has been active in establishing codes of conduct and accounting standards for transnational corporations. It is, therefore, predicted that the nation-states--both developed and underdeveloped, will have genuine interest in building and operationalizing a mechanism for international accounting standard setting, if its focus is on transnational corporations. The developed countries, as the home countries of most of the transnational corporations and as host-countries of about three-quarter of the total transnational investments, are likely

to have interest in an international intergovernmental body under the auspices of the UN because in the absence of their participation the developing countries might impose strict standards and disclosure requirements on the transnationals operating in their countries. The developing countries, on the other hand, may have more interest in their mechanism because this is likely to enable them to have more information on transnationals than that of at the present time, moreover this is likely to enhance the quality of accounting practices in their countries.

Conclusion

In this paper we have tried to shift the focus of internationalization of accounting standards in two areas. The first is the acceptance of the idea of multiple users or constituencies which require homogeneous information regardless of their economic, cultural, or social differences. The second is the shift of harmonization from separate countries or accounting practices to the harmonization of the practices of transnational firms, which will serve as a springboard for future interindustrialization. We feel that these modest objectives are achievable and will serve as a first step in attaining a more ambitious goal of a single worldwide accounting standard.

Footnotes:

[1] See for example, Nobes and Parker (1981); Fitzgerald, Stickler and Watts (1979); and AICPA (1975).

[2] Choi and Mueller (1984, p. 66).

[3] Cooper and Ijiri (1976).

[4] Turner (1983).

[5] Negandhi and Baliga (1979, Chapter 4).

[6] Bruyne (1979, p. 5).

[7] Benson (1976, p. 39).

[8] Kapnick (1978, p. 138).

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